

PARTNERS FOR ENVIRONMENTAL PROGRESS

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Overview

The Partners for Environmental Progress Program (PEP) was established by Public Law No. 101-514, fiscal Year 1991 appropriations Act. The law authorizes the U.S. Army Corps of Engineers to enter into partnership agreements with non-Federal entities to evaluate opportunities for the privatization of environmental infrastructure.

Privatization of traditional public services and facilities has emerged as an attractive alternative for many small communities and local governments that are struggling with limited budgets and increased demand for services. Compliance with environmental laws and regulations has imposed additional financial and institutional burdens on these communities. Expensive and complicated environmental requirements are, in general, beyond their means and capabilities. Privatization can help to reduce the tax burden to the general population by charging users directly for the costs associated with the development, operation and maintenance of the infrastructure facilities or with providing services. It also allows the residents of small communities and local governments to take advantage of the economies of scale offered by large companies that can spread their costs among many customers and charge a relatively low price for their services or products.

Through the PEP Program, the Corps of Engineers offers its technical expertise to small and disadvantaged non-Federal entities to help them identify innovative solutions to environmental problems. The South Atlantic Division of the Corps has participated in the program since its inception in 1991. The objectives of the program, requirements for participation, outputs and accomplishments are discussed in the following paragraphs.

Program Scope and Objectives

The PEP Program is designed to encourage the participation of the private sector in the planning, design, financing, construction, operation and maintenance of the local service-related infrastructure. The Corps of Engineers, in partnership with State and local governments, develops market feasibility studies to identify opportunities for privatization and to analyze public/private financing capabilities to solve specific environmental problems.

Requirements for Participation

The Program targets small and disadvantaged non-Federal

entities or communities. Small is defined as an entity with a service area population of less than 500,000. Disadvantaged is defined as an entity with unemployment rates higher than the National average or per capita income below the National average. These entities usually do not have the financial or technical capabilities to develop plans of action or requests for proposals to privatize environmental infrastructure facilities.

Every year the Corps District coordinators for the PEP Program seek proposals for studies from qualified non-Federal entities. These proposals are evaluated by the South Atlantic Division Office of the Corps for compliance with program requirements and criteria. The Headquarters Office selects proposals for funding on the basis of their ranking in terms of specified criteria. Once the proposal is approved, the Corps enters into a formal agreement with the non-Federal sponsor for the development of the study. A scope of work and cost estimate is developed as part of the agreement. The non-Federal sponsor provides 50 percent of the study cost through in-kind services. Studies have a very short duration and usually do not exceed 12 months.

Outputs

Two primary outputs can be produced as part of the studies: an action plan; and a draft request for proposals. In the action plan, potential environmental infrastructure needs for a community are identified; possible alternatives to meet the needs are developed and evaluated; the best course of action is determined; and opportunities for private involvement are identified and evaluated. An action plan delineating the steps required to privatize the infrastructure facilities, or specific aspects of the facilities, is developed as a final product.

The draft request for proposals (RFP) provides more specific information to bidders to be used in the development of technical proposals and cost estimates for the privatization of a specific infrastructure facility or service. The RFP includes estimates of revenue potential and financial costs and identifies potential revenue collection methods and specific financing alternatives. Finally, potential sources of financing are contacted to determine the preferred financing options.

Funds for implementation of the privatization options are not available through the PEP Program.

Accomplishments

Two studies have been completed under the PEP Program in the South Atlantic Division. Eleven are currently underway. The studies completed, both by the Charleston District, include a market feasibility study for solid waste management for Charleston County, and a water supply study for Clarendon and Sumter counties, both in South Carolina. Of the eleven studies underway, four are in Georgia, as follows:

- 1) Land Application disposal System for the City of Swainsboro;
- 2) Water Supply System for the City of Haddock, Hones county;
- 3) Wastewater Management Study for Oconee County; and
- 4) Sewage Collection System for Jackson and Banks counties and the city of Commerce (I-85/US 441 Interchange).

Monitoring the implementation of the recommendations of the studies is accomplished every year by the Corps district Office. Charleston County is taking steps towards implementation of the privatization alternatives evaluated in the report as the supply of bulk compost has increased substantially. The Clarendon county study resulted in an RFP for the design of a regional raw water intake, treatment facility and distribution system from Lake Marion. The county is currently working with the South Carolina Public Service Authority, a quasi state agency not supported by public funds, to implement this alternative.

Measuring the success of the PEP Program is a difficult task considering the limited experience up to now. Privatization, or public/private partnerships, still has a long way to go before it is completely accepted as a feasible alternative to public financing and management. States such as Virginia, Washington, California, Massachusetts and Minnesota are in the process of implementing public/private partnerships in the area of transportation. In Ohio, the sale of the Franklin water treatment plant to a private venture is awaiting approval of the Federal Government. The town of Pecatonica, Illinois, (pop. 2,000) privatized all of its public works (water, wastewater and streets). Besides saving \$10,000 a year in the operation, the town now has access to the expertise of a large firm with considerable experience in this area.

Though these attempts to increase the participation of the private sector in the public area can not be attributed to the PEP Program, they certainly point to the importance of this program. The PEP Program is acting a catalyst to make small communities aware of the opportunities for privatization to solve their environmental problems without draining their limited resources.

LITERATURE CITED

- Public Law 101-514, Fiscal Year 1991 Appropriations Act.
- U.S. Army Corps of Engineers, May 1994. Assessment of the Partners for Environmental Progress Program.
- U.S. Army Corps of Engineers, Partners for Environmental Progress Program, Fiscal Year 1995 Guidelines.